

PHARMASTEM
THERAPEUTICS, INC.

June 1, 2004

Dear Dr. Alahwat,

We have been asked by concerned colleagues of yours to clarify the legal implications for Obstetricians regarding the collection of umbilical cord blood.

The question raised by your colleagues relates to the Obstetrician's legal liability arising out of infringement of U. S. patents 5,004,681, 5,182,552, 6,461,845, 6,569,427 and 6,605,275 owned by PharmaStem Therapeutics. Patent infringement occurs when a person or institution practices all or part of a patented process. In the case of umbilical cord blood collection by an Obstetrician, the Court ruled that infringement occurs even if the cryopreservation and storage is performed by a third party.

Sensitive to the delicate position you are confronted with, PharmaStem wants to assure you that we have taken all the necessary steps to protect the Obstetricians from any intellectual property infringement liability, provided they work with any one of the following licensed companies:

Stembanc
Cord Blood Family Trust
StemCytex
Newborn Blood Banking
Securacell

LifeBank USA
Family Link
Norton Hospitals
Cord Partners
HemaStem Therapeutics

California Cryobank
Lifestor
New England Cord Blood Bank
Alpha Cord

In its license agreements with these cord blood banks, PharmaStem has extended its license to the health care providers under the condition they work with these licensed Blood banks:

"The license granted shall extend to any medical doctor, nurse, midwife, hospital, clinic, ... (collectively, "Health Care Providers"),...Involved in the Collection, ...of any Cord Blood... that will be Cryopreserved, by the licensed Cord Blood Bank ..."

This language means that as long as you are collecting cord blood for a PharmaStem licensed blood bank, you are not liable for patent infringement.

In October 2003 a Federal jury in the United States Federal Court, District of Delaware unanimously found that ViaCell / ViaCord, CBR Systems, ("Cord Blood Registry"), Cryo-Cell International and CorCell willfully infringe PharmaStem's patents covering the collection, cryopreservation and storage for future therapeutic use of stem cells derived from umbilical cord blood. Following this verdict, PharmaStem has asked the Court to grant a permanent injunction against these companies. An injunction would prevent the infringing companies from continuing their cord blood storage activities.

Scientists at PharmaStem, through its predecessor Biocyte, not only discovered the therapeutic benefits of umbilical cord blood for treatment of certain diseases, but also organized and funded the first successful umbilical cord blood transplant in 1988. If you would like to learn more about PharmaStem Therapeutics and its pioneering patents, visit www.pharmastem.com.

Regards,

Nicholas Didler

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